

C.P. Exports

July 03, 2024

| Facilities/Instruments | Amount (₹ crore) | Rating ¹ | Rating Action |
|---------------------------|--------------------------------|---------------------|---------------|
| Long Term Bank Facilities | 36.20 (Enhanced from 23.92) | CARE BB-; Stable | Reaffirmed |

Details of instruments/facilities in Annexure-1.

Rationale and key rating drivers

The rating assigned to the bank facilities of C.P Exports (CPE) continues to be constrained by the thin profitability margins, leveraged capital structure and partnership nature of constitution of business.

The rating, is, however strengthened from the experienced promoters and long track record of the firm, reputed clientele base, healthy scale of operations, and favourable location of the plant.

Rating sensitivities: Factors likely to lead to rating actions

Positive factors

- Sustained improvement in PBILDT margin above 2%.
- Improvement in overall gearing below 4x

Negative factors

- Significant elongation in operating cycle impacting the liquidity position.
- Decline in operating margins below 1% on a continuous basis.
- Any significant withdrawal of capital leading to deterioration in net worth base

Analytical approach: Standalone

Outlook: Stable

CARE Ratings believes that the firm will benefit from its long-standing customer relationship and experience of the promoters.

Detailed description of the key rating drivers:

Key Weaknesses

Thin profitability margins

The processing activity of the firm primarily involves peeling of coffee cherries and grading the coffee seeds and selling the same to FMCG clients. The limited value addition keeps the operating margins thin between 1-2% on average. The PBILDT margin in FY24 (Prov.) stood thin at 1.42% (PY:1.39%) The margins are further exposed to inventory risk arising volatility in the coffee prices which is also driven by the demand supply scenario in the international market.

Leveraged capital structure and modest debt coverage indicators

The capital structure of the firm improved yet remained leveraged marked by overall gearing of 7.03x as on March 31, 2024 (Prov.) (PY:11.63x). The network of the firm stood low at ₹ 9.00 crore as on March 31, 2024, with relatively high working capital intensity in business. Total debt to gross cash accruals stood weak at 11.81 years in FY24 (Prov.) (PY:19.69 years)

Inherent risks associated with the partnership nature of business

CPE's constitution as a partnership firm has the inherent risk of possibility of withdrawal of the partner's capital at the time of personal contingency and the firm being dissolved upon the death/retirement/insolvency of promoters. There have been instances of withdrawal by the partners during the past. During FY24, the promoters withdrew ₹ 0.33 crore.

Key Strengths

Experienced promoters and established track record of the firm

The firm was established as a partnership entity by Mr. Eswaran along with his elder brother Mr. Shanmugapriya during 1994. Later the firm underwent reconstitution and is today a closely held business run by Mr. Eswaran and his three sons Mr. E. Jawahar, Mr. E. Rajavel & Mr. E. Kathirvel as partners. After the demise of Mr. Eswaran during May 2021, the firm is continued to be

¹Complete definition of the ratings assigned are available at www.careedge.in and other CARE Ratings Ltd.'s publications

managed by his three sons, with Mr. Jawahar as managing partner. The partners are further supported by functional staff at various levels.

Reputed clientele base

The firm has a reputed clientele base, mainly comprising of FMCG companies like Hindustan Unilever Limited (HUL), TATA Coffee Limited, Nestle India Limited & Sri Narasus Coffee Company Private Limited. The long-term relationship of the firm with its clients has facilitated a regular order backup as well as intermittent advances to manage the working capital requirements.

Consistent growth in scale of operations with presence in favourable location

CPE processes different coffee seeds viz Arabica Parchment, Robusta & Arabica Cherry through its three manufacturing units located at Virdhunagar, Tamil Nadu (1) and Kushal Nagar, Karnataka (2) and sells it to FMCG companies in the local market. Total income of the firm grew at 64.80% from ₹ 424.74 crore in FY23 to ₹ 700.00 Crore in FY24 (Prov.). Two plants are in Karnataka which is one of the largest coffee producing state in India; enabling the firm to procure raw materials & process the same immediately leading to continuous production as well as consistent scale.

Liquidity: Stretched

The liquidity position of the firm continues to be stretched marked by tightly matched cash accruals against repayment obligation of ₹ 1.87 Crore in FY25. The firm purchases coffee cherries in bulk during season and stocks them. Major part of the coffee cherries is procured directly from farmers and around 5% are procured through auction from Indian Coffee trade association. The credit period given to customers is relatively low at 10-15 days which maintains the liquidity. The operating cycle stood comfortable at 29 days in FY24. The cash and bank is at ₹ 0.27 crore as on March 31, 2024 (Prov.). The average working capital utilisation for last twelve months ended April 2024 stood more than 90% during peak procurement season and around 40-50% during remaining times of the year.

Assumptions/Covenants: Not applicable

Environment, social, and governance (ESG) risks: Not applicable

Applicable criteria

[Definition of Default](#)

[Liquidity Analysis of Non-financial sector entities](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Wholesale Trading](#)

About the company and industry

Industry classification

| Macro Economic Indicator | Sector | Industry | Basic Industry |
|----------------------------|----------------------------|------------------------------------|----------------|
| Fast Moving Consumer Goods | Fast Moving Consumer Goods | Agricultural Food & other Products | Tea & Coffee |

C.P. Exports (CPE) was established in the year 1994 as the partnership firm with its registered office located at Virudhunagar, Tamil Nadu. The firm is engaged in processing of coffee beans and selling it to FMCG companies in the domestic market. The firm is also having a minimal presence in export market in countries viz Australia, Italy, Spain, and Canada. CPE process different coffee seeds viz Arabica Parchment, Robusta & Arabica Cherry in its three manufacturing units located at Virdhunagar, Tamil Nadu (1) and Kushal Nagar, Karnataka (2). The firm procures raw materials from Kodaikanal hills, Cumbam, Kerala District and Andhra Pradesh for Tamil Nadu unit and from Coorg and other locations of Karnataka, where the country's major coffee farming is undertaken. Total installed capacity of the firm as on March 31, 2024, stood at 64 MT per day to process the coffee seeds and 1500 MT capacity of storage facility.

| Brief Financials (₹ crore) | March 31, 2022 (A) | March 31, 2023 (A) | 31-03-2024 (Prov.) |
|----------------------------|--------------------|--------------------|--------------------|
| Total operating income | 390.49 | 424.74 | 700.00 |
| PBILDT | 4.95 | 5.89 | 9.91 |
| PAT | 1.07 | 1.97 | 4.31 |
| Overall gearing (times) | 11.63 | 11.63 | 7.03 |
| Interest coverage (times) | 1.72 | 1.89 | 2.18 |

A: Audited Prov.: Provisional; Note: 'the above results are latest financial results available'

Status of non-cooperation with previous CRA:

CRISIL has conducted the review on the basis of best available information and has classified CPE as "Non-Cooperating" vide its press release dated July 20, 2023. The reason provided by CRISIL Ratings is not-furnishing of information for monitoring of rating.

Any other information: Nil

Rating history for last three years: Please refer Annexure-2

Covenants of rated instrument / facility: Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

Complexity level of various instruments rated: Annexure-4

Lender details: Annexure-5

Annexure-1: Details of instruments/facilities

| Name of the Instrument | ISIN | Date of Issuance (DD-MM-YYYY) | Coupon Rate (%) | Maturity Date (DD-MM-YYYY) | Size of the Issue (₹ crore) | Rating Assigned along with Rating Outlook |
|--|------|-------------------------------|-----------------|----------------------------|-----------------------------|---|
| Fund-based - LT-Bank Overdraft | | - | - | - | 25.00 | CARE BB-; Stable |
| Fund-based - LT-Term Loan | | - | - | October 2025 | 0.30 | CARE BB-; Stable |
| Fund-based - LT-Working Capital Limits | | - | - | - | 10.90 | CARE BB-; Stable |

Annexure-2: Rating history for the last three years

| Sr. No. | Name of the Instrument/Bank Facilities | Current Ratings | | | Rating History | | | |
|---------|--|-----------------|------------------------------|------------------|---|---|---|---|
| | | Type | Amount Outstanding (₹ crore) | Rating | Date(s) and Rating(s) assigned in 2024-2025 | Date(s) and Rating(s) assigned in 2023-2024 | Date(s) and Rating(s) assigned in 2022-2023 | Date(s) and Rating(s) assigned in 2021-2022 |
| 1 | Fund-based - LT-Bank Overdraft | LT | 25.00 | CARE BB-; Stable | - | 1)CARE BB-; Stable (20-Jul-23) | 1)CARE BB-; Stable (24-Jun-22) | - |
| 2 | Fund-based - LT-Working Capital Limits | LT | 10.90 | CARE BB-; Stable | - | 1)CARE BB-; Stable (20-Jul-23) | 1)CARE BB-; Stable (24-Jun-22) | - |
| 3 | Fund-based - LT-Term Loan | LT | 0.30 | CARE BB-; Stable | - | 1)CARE BB-; Stable (20-Jul-23) | 1)CARE BB-; Stable (24-Jun-22) | - |

LT: Long term;

Annexure-3: Detailed explanation of covenants of the rated instruments/facilities: Not applicable

Annexure-4: Complexity level of the various instruments rated

| Sr. No. | Name of the Instrument | Complexity Level |
|---------|--|------------------|
| 1 | Fund-based - LT-Bank Overdraft | Simple |
| 2 | Fund-based - LT-Term Loan | Simple |
| 3 | Fund-based - LT-Working Capital Limits | Simple |

Annexure-5: Lender details

To view the lender wise details of bank facilities please [click here](#)

Note on the complexity levels of the rated instruments: CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

Contact us

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About us:

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